



MASSACHUSETTS

Workforce Investment Act

WIA Communication No. 02-25

☒ **Policy** ☐ **Information**

To: Chief Elected Officials
Workforce Investment Board Chairs
Workforce Investment Board Directors
Title I Administrators
Career Center Directors
Title I Fiscal Officers
DET Regional Directors
DET Area Directors

cc: WIA State Partners

From: Jonathan Raymond, President
Commonwealth Corporation

Date: April 25, 2002

Subject: Stand-In Costs

Purpose: The purpose of this policy is to establish guidance pertaining to the use of "stand-in" costs as a method for repaying disallowed costs

Background: Stand-In Costs are costs that may be used to substitute for disallowed costs in audit and monitoring resolution. The application of stand-in costs occurs at the audit or monitoring resolution stage. If an auditee agrees that a questioned cost is unallowable and wishes to propose the use of stand-in costs as substitutes for otherwise unallowable costs, the proposal should be included with the audit or monitoring resolution report or other document by which the auditee provides its comments to the resolution agency. If the auditee is uncertain about the allowability of a questioned cost before receipt of the Initial Determination, the proposal to use stand-in costs may be presented during the Informal Resolution..

Action

Required: All operators must incorporate this policy into their operating and accounting procedures within 30 days.

Effective: For all federal funds issued through Commonwealth Corporation.

Stand-In Costs

An equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.
TDD/TTY 1-800-439-2370 - Voice 1-800-439-0183

- References:** WIA Public Law 105-220
JTPA Public Law 100-418
WIA Regulations at 20 CFR652, et al
WtW Regulations at 20 CFR 645, as amended
JTPA Regulations at 20 CFR 626, et al
29 CFR Parts 95 and 97
OMB Circulars:
 A-21 Cost Principles for Educational Institutions
 A-87 Cost Principles for State and Local Governments
 A-122 Cost Principles for Non-Profit Organizations
 A-102 Administrative Requirements for State and Local Governments
 A-110 Administrative Requirements for Institutions of Higher Education,
 Hospitals, and Other Non-Profit Organizations
 A-133 Audit Requirements for States, Local Governments, and Non-Profit
 Organizations
Commonwealth Corporation Policy 00-22, “Audit Resolution and Debt
Collection”, issued May 31, 2000.
- Inquiries:** Questions should be addressed to Elizabeth Durkin (extension 1304) at
(617) 727-8158.
- Filing:** Please file this in your notebook of previously issued WIA Communication Series
Issuances as #02-25.

Stand-In Costs

Cash is the preferred method of repaying disallowed costs. As a last resort, Commonwealth Corporation (Comm Corp) may consider approving "stand-in" costs to substitute for disallowed costs on a case-by-case basis. At a minimum, the following conditions must be met:

1. Must be allowable costs under the federally-funded program, which were actually incurred but not charged to the program because of funding limitations, local decision, or any other applicable reason.
2. Would not have been incurred in the absence of the funded program, i.e., they are added costs and, therefore, do not violate the Act or Regulations for the program under which they were incurred, including administration or other cost limitations.
3. If previously charged elsewhere, the prior charge must be adjusted if accepted as federal grant stand-in costs.
4. Must have been included within the scope of the audit (not necessarily tested but potentially subject to testing).
5. Must have been accounted for in the auditee's financial system as required by 29 CFR Part 95 or Part 97, whichever is applicable.
6. Must be adequately documented in the same manner as all other costs charged to that program.
7. Must have been reported as "stand-in" costs on the monthly fiscal report and on the closeout report (See Policy 02-16, Fiscal Status Reports – WIA Title I and JTPA, and Policy 02-13, Grant Closeout).
8. Must be applied to work done for the same title or funding stream in the same appropriation year as the disallowed costs for which they are to be substituted.
9. Must be applied to the same entity which incurred the disallowed costs.
10. Cannot be an exaggeration of costs of time and service (i.e., costs must be reasonable and necessary).
11. Must have been paid by a non-grant fund source. (Cannot have been paid for by other federal funds.)
12. Cash match (i.e., expenditures of the organization used as match) in excess of the required match may also be considered for use as stand-in costs. (Certain costs, including in-kind contributions, are not considered unpaid federal program liabilities, but rather as in-kind match; therefore, they cannot be used as stand-in costs.)

Stand-in costs cannot be constructed using circumstances or conditions that appear to be legitimate liabilities if no actual costs are incurred by any entity.

If the cause of the disallowed costs was fraud, then proposals of stand-in costs to substitute for the disallowed costs will not be considered.